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SUBJECT: BELGIUM: ENERGY MINISTER WANTS TO EXTEND OLDEST NUCLEAR
POWER PLANTS TEN YEARS TO 2025

INTRODUCTION AND SUMMARY

¶1. (U) On October 1, Energy and Environment Minister Paul Magette (Parti Socialiste) announced that he had agreed with Prime Minister Herman Van Rompuy to keep the Belgian nuclear power plants open until 2025. In exchange, the owner of the plants, Electrabel (a Belgian subsidiary of the French Suez-EDF group) is expected to be required to pay at least 250 million euros annually to the Belgian Treasury each of the next 16 years. The Belgian cabinet also wants reductions in residential electricity rates, but the details of such a deal still need to be worked out. Electrabel, in turn, wants its monopoly over electrical power production in Belgium extended. End introduction and summary.

Existing Law Would Close Some Plants by 2015

¶2. (U) In 2003, the Belgian legislature passed a law requiring Belgium's commercial nuclear power plants to shut down forty years after their commissioning, which means the three oldest plants would be closed by 2015 and the four remaining by 2025. The law was widely considered as the price the Belgian green parties had demanded in exchange for their participation in the Verhofstadt I coalition government (1999-2004). The law did, however, contain a loophole, in that the seven nuclear power plants could be kept open for a longer period if Belgium's electricity supply from other sources could not be guaranteed. About 55 percent of Belgium's electricity supply currently comes from the seven nuclear power plants.

Political tug of war

¶3. (U) The liberal parties on both sides of the linguistic border (the Flemish Open VLD and the francophone Mouvement Reformateur (MR)) had always maintained that Belgium could not afford the closure of the nuclear power plants. They had until now met fierce resistance from the francophone Socialist Party (PS) to the idea of using loophole in the law to keep the plants open beyond 2015. When the Christian-Democratic parties joined the coalition in 2008, though, the PS found itself more and more isolated. The country's increasingly dire budget situation -- larger budget deficits due to the financial crisis, resulting in a higher overall debt/GDP ratio -- has finally caused the PS to relax its opposition.

Between a hard thing and the budget deficit

¶4. (SBU) For 2010, the GOB is looking for some big one-time measures to reduce the estimated 20 billion euro budget deficit. One such measure will probably be a substantial contribution by the Belgian banks, now that they are seen as returning to financial health. The banks received 15 billion euros in support from the federal government in 2008. The energy sector is another likely candidate to contribute to the Belgian Treasury, including the quasi-monopolist electricity producer, Electrabel. Since Electrabel

has already entirely written off its nuclear power plants, some experts have estimated the total net windfall profits that the company would reap during the additional 10 year life of the plants to be 12 billion euros during the period 2015-2025. Electrabel would need to invest at least 800 million euros to upgrade the plants, leaving a substantial expected profit, from which the Government would like to have a cut.

Expert study provides elegant way out

15. (U) Energy and Environment Minister Paul Marnette (PS) commissioned an international study (the so-called Gemix report) in 2008 on Belgium's optimum mix of energy generation/supplies. The final report has now been published, with the conclusion that Belgium will have insufficient alternative energy sources by 2015 to cover the loss of electricity supply from the nuclear power plants due to close under the 2003 law. Because of these supply problems, Marnette is now invoking the loophole in the 2003 law to keep the three oldest plants (Doel I and II, as well as Tihange I) open until 2025. However, the Minister has indicated he will not follow another recommendation by the international experts to keep the four newer nuclear power plants open for another 20 years.

Show Me the Money

16. (SBU) Although it is still unclear exactly how much Electrabel may be required to pay per year, various sources are suggesting that it will be a 600 million euro up-front fee, plus at least an annual

fee of 250 million euros thereafter. Marnette also reportedly is still negotiating with Electrabel for a reduction in household electricity prices. On the opposite side of the table, the company is said to be demanding the continuation of its quasi-monopoly in exchange for the payments being demanded by the GOB.

Comment

17. (SBU) Apart from the political and related financial/budgetary tugs of war caused by the need to determine how long to operate Belgium's commercial nuclear power plants, there are also cost issues. It will take at least 800 million euros to modernize and extend the lifetime of the plants. And then there is an operational issue: if the plants stay open until 2015, they will have been operating for at least 50 years. According to specialists at SCK/CEN, a Belgian nuclear research center, this would be an unprecedented technological experiment.

GUTMAN